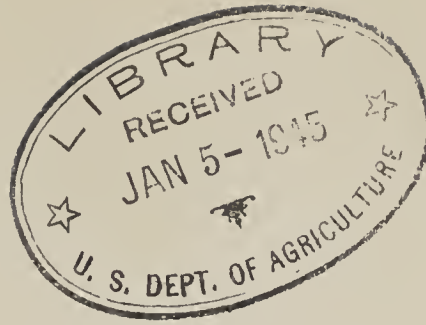


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

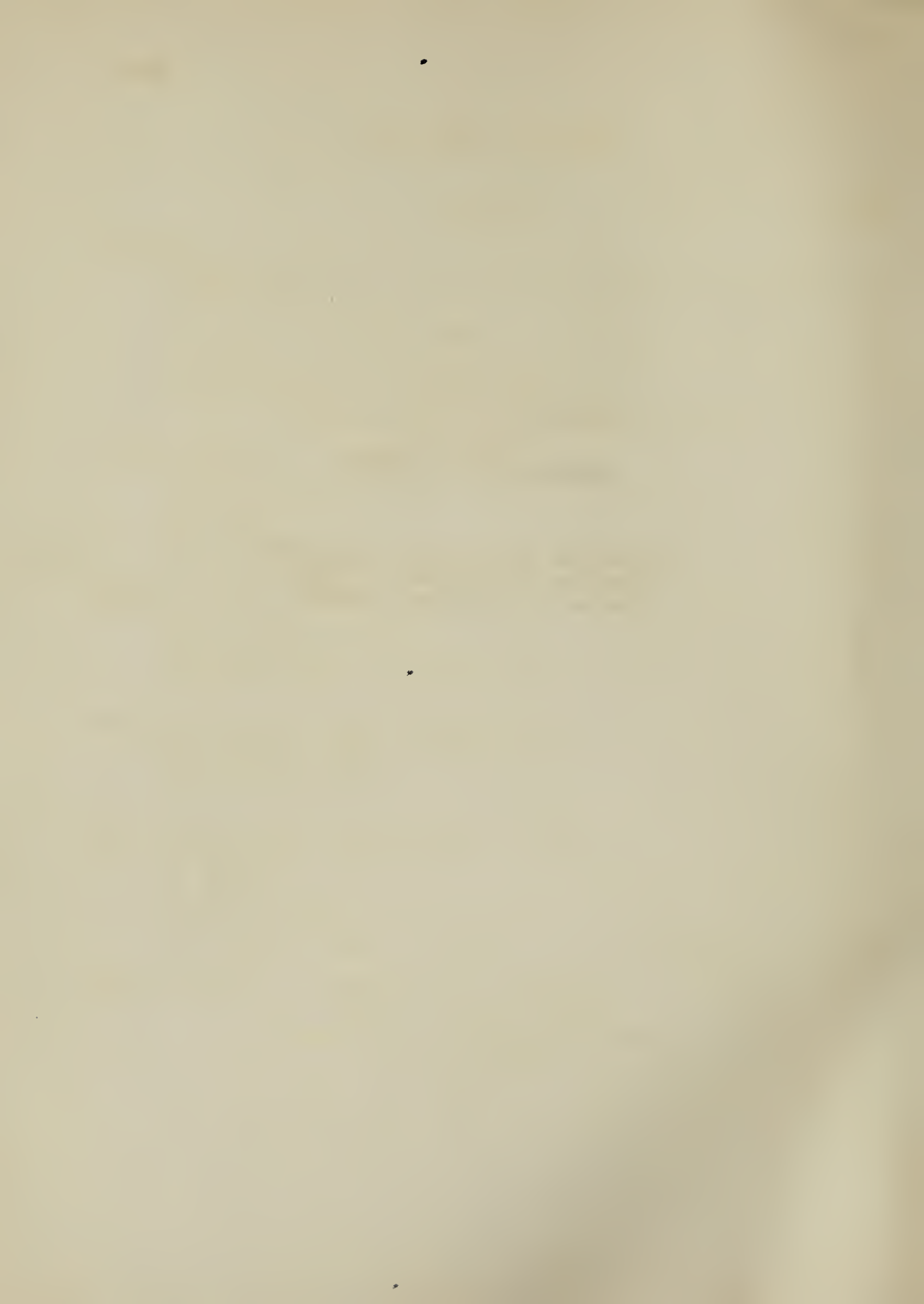
1.4
ad 422C
cap. 6

CSO-2a



GRADE LABELING IN CANADA

A first-hand survey of the operation of
compulsory grade labeling of canned
fruits and vegetables in Canada



A REPORT

made by the
Consumers' Advisory Board
National Recovery Administration
December, 1934

Re-Issued
by

CONSUMERS' COUNSEL DIVISION
D.E. MONTGOMERY, DIRECTOR
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D.C.

June, 1938

GRADE LABELING IN CANADA

<u>Contents</u>	<u>Page</u>
OPERATION OF THE CANADIAN GRADE LABELING LAW.....	1
Requirements.....	1
Enforcement of the Law.....	1
Use of the "Held" tag.....	3
Data on Use of "Held" tags.....	3
Re-grading under "Held" tag Detention.....	4
Cost of Inspection.....	5
Agreement About Grades between Cannery and Government.....	6
CANNERS' OPINION OF GOVERNMENT GRADING.....	7
Premiums for Quality.....	7
Savings through Government Grading.....	7
Marketing.....	8
Up-Grading.....	9
Wholesaling Under Government Grades.....	10
RETAILING UNDER GOVERNMENT GRADING.....	11
A Trade Magazine Opinion.....	11
Cannery's Opinion on Retail Grading.....	11
Chain Store Opinion of Grading.....	12
Independent Store Opinion of Grading.....	12
CONSUMERS' PROTECTION UNDER GOVERNMENT GRADING.....	13
The Production Step.....	14
The Wholesale Step.....	14
The Retail Step.....	14
HOW GOVERNMENT GRADING AFFECTS SALES POLICIES.....	15
1. Prices.....	15
2. Quality.....	15
3. Advertising.....	15
4. Brand names.....	15
5. Inspection costs.....	15
SUMMARY OF SURVEY.....	21

GRADE LABELING IN CANADA

OPERATION OF THE CANADIAN GRADE LABELING LAW

Requirements

The declaration of quality grades on canned food products is obligatory in the Dominion of Canada under the Meat and Canned Foods Act of 1907, as amended in 1927.

Regulations under the law state that, unless otherwise provided for, the standards of quality shall be known as "Fancy", "Choice", "Standard", and "Second". The grades must be printed upon the principal part of the label in letters not less than three-eighths of an inch in height. The word "Quality" must also appear (viz. "Choice Quality"); but "Quality" may appear in a smaller type if it better suits the label design.

Also on the label must appear the name and address of the packer, of the first dealer, and a true description of the contents. All labels must have the approval of the Fruit Commissioner.

Labels for containers which have not been standardized for size must show the net and drained weight on the label.

All packages of canned goods must show the permit number of the establishment producing them.

Enforcement of the Law

The following regulations apply to all Canadian canneries which ship products outside the Province in which they are located:

Each establishment must operate under a numbered license. It must, at all times, be ready to receive representatives of the Minister of Agriculture. These report sanitary conditions; they can close down a plant until insanitary conditions are remedied; they can cause to be detained products not meeting regulation. The inspectors also draw samples from the various packs. They cut some samples and determine their grades in the plant, and send comparable samples to be graded at the office of the Chief Canning Inspector at Ottawa.

In case of disagreement in grade determination, the inspector may place a "Held" tag upon the lot. The goods cannot be moved until a re-check of the grade is made at Ottawa. If the grade is found incorrectly stated, the canner must relabel the lot before the "Held" tag can be removed and the goods thus freed from detention.

Typical Example of Inspection Service

The workings of the law may be illustrated by the following routine steps through which a canner must proceed in order to do business in Canada... The John Doe Company wrote to the Fruit Branch of the Department of Agriculture in Ottawa stating that a canning business was to be undertaken and requesting an establishment number.

A Department Inspector visited the plant and found it up to sanitary requirements.

The Minister of Agriculture issued to the Company a permit to operate as Establishment #999. The Company has been in production for a year. The grade declarations on its labels are those determined by the plant manager, who has sampled and graded each lot. The government inspector, coming into the plant to cut samples at any time, has found that his quality grading is in agreement with that of the plant manager in every case, and that the grading of the samples sent to Ottawa likewise conforms to their separate findings.

On one visit, though, the inspector finds that 500 cases of size 3 peas, labeled "Choice Quality" was in reality only "Standard Quality". He attached a "Held" tag to the lot, thus detaining the whole 500 cases. Copies of his grading report, and of the plant manager's, were forwarded to Ottawa. More samples were taken for a re-check. The Ottawa grading confirmed the inspector that the peas were "Standard Quality". The John Doe Company relabeled the lot as "Standard Quality", the "Held" tag was removed, and the lot released for shipment.

One hundred cases of peaches were found to be "Choice Quality" by the inspector. These were destined for export to England. An export certificate was issued to the John Doe Company. There were no labeling requirements, since the law does not make quality declaration obligatory on export goods.

Use of "Held" Tag

The "Held" tag is an important and very simple device to keep grading disputes out of litigation. It is applicable in the case of all meats and canned fruits and vegetables destined for inter-Province trade. Several years ago, a test case appeared in which an Ottawa marketing official removed a "Held" tag which a Department of Agriculture Inspector had placed on the carcass of a calf. The Court upheld the Meat and Canned Foods Act and fined the city of Ottawa \$100 for its agent's action in removing the tag. Since then the "Held" tag has been respected. It allows an inspector to seize and detain, at any time and in any place, any canned food products he finds mislabeled, unsatisfactory for use, etc.

The number of inspectors in Canada is not adequate to grade samples of all the canned food packed. Reliance for enforcement of the law is partially placed on surprise visits to canneries, wholesalers and retailers. There is inconvenience and expense involved whenever a "Held" tag is used. This serves as a deterrent to false quality declaration. That canner irritation at these inconveniences does not take a serious form is doubtless due to prompt action on the part of the authorities in rechecking grades in announcing the action to be taken, and in removing the "Held" tag. A very few days usually suffices to complete this process.

Nothing in the law prevents a canner from carrying a label dispute to court if he wishes.

Data on Use of "Held" Tags

During the year ending March 31, 1934, there were 103 "Held" tags used to detain products intended for domestic sale, and 72 "Held" tags placed on imported products. The number of domestic cases in dispute was 136,816; the imports 38,404 cases.

In every instance the "Held" tag was finally removed after appropriate action had been taken to remedy the cause of detention. No dispute was brought into the courts.

Other reasons than incorrect quality labeling entered into these actions. A few such specimen detentions of imports follow:

385 cases of tomato paste; held until analyzed;
found sterile and released;

500 cases of pineapple; held because cans
found to be "flippers"; lot destroyed;

41 cases pineapple juice; non-standard con-
tainers; labeled to show drained weight
and released.

Of the 103 instances in which "Held" tags were
placed on products intended for domestic sale, the fol-
lowing examples are typical;

145 cases of tomatoes; contents found stack-
burned; released to be sold for fox food;

45 cases of pears; cans found vented in vio-
lation of law; released for use of an in-
stitution under inspector's personal super-
vision to see that no can was spoiled;

2965 cases of pumpkin; incorrectly labeled; re-
leased when labeled by grade found at Ottawa;

137 cases of evaporated apples; excessive mois-
ture; released when mixed with extra-dry;

250 cases of tomatoes; incorrectly labeled;
released when labeled by grade found at
Ottawa;

400 cases of tomatoes; "flippers"; condemned;

2671 cases of corn; approval of labels not ob-
tained from ottawa; released when labels
changed to conform to law.

Re-Grading under "Held" Tag Detention

The records of the Ottawa Government grading labora-
tory, for three months ending September 30, 1934, reveal
the re-checks made there on the grading done in the can-
neries by plant managers. Out of 1981 samples graded
there were 156 changes made by the Government; the samples

being raised in grade in 68 instances and being degraded in 88 instances.

These changes were as follows:

<u>Samples Raised</u>	<u>Samples Degraded</u>
Standard to Fancy.....1	Fancy to Choice.....24
Choice to Fancy.....12	Choice to Standard.....58
Standard to Choice...46	Standard to Seconds.... 2
	Fancy to Standard..... 3
	Choice to Seconds..... 1

It should be noted that in the case of samples taken directly from canneries changes are called to the attention of the canners before the labeling has been done, so that no expense of relabeling is involved to the canner.

Cost of Inspection

The Dominion Government bears the cost of sanitary and quality grade inspection. Each inspector covers several plants. Conviction on the part of the industry that inspection is to its advantage makes it possible to administer the Act at a minimum cost. The following opinions bear on this point:

An official of Canadian Canners, Ltd.

(Note: Canadian Canners Ltd. pack possibly 50% of all the Canadian canned fruits and vegetables).

"We do not think of the Government inspection in terms of cost. The service is free to us other than the supplying of samples. We have found that as the Canadian Government Regulations became better known it has developed into a system that almost checks itself, inasmuch as the factory manager and superintendents, etc., have some definite guidance as to the quality of the goods they are packing. We even have occasion to be grateful to the Government Inspectors particularly when they discover an incorrectly labeled grade which in some way missed our manager. We find that the Government grades keep our plant managers on their toes, particularly when they know that samples of their goods are going to be examined, not only by our own laboratory, but by the Government Department."

Mr. M. Schneider, Plant Manager, Associated
Quality Cannerys:

"It is a protection to have regular inspection by the Government. It prevents competitors from spreading scandal that you have a dirty plant. It protects the buyers of canned food because dirty plants are closed down by the Government until they clean up."

Agreement About Grades between
Cannerys and the Government

An official of Canadian Cannerys Ltd.:

"As the food is packed by these Canadian Cannerys in different factories it is graded to correspond to the quality grades defined by the Canadian Government. Samples of the pack are submitted to the Laboratory Department at Head Office and the grades, etc., further checked. The Government Inspectors also select samples of the pack and report their grades to the factory from which the samples were taken and also the Head Office. When there is any disagreement between the Government findings and the packers the Government Official and the Chief Chemist meet together and have always been able to satisfactorily adjust the differences. We would point out that the number of times that there is a difference is relatively few. Not more than 2% at any time."

Mr. S. C. McGillivray, Chief Canning Inspector,
Department of Agriculture:

"It is not at all necessary to have a Government agent in every plant. We may fall far short of complete coverage in our grade inspection. But in actual practice we find that violations are involuntary in practically all cases. That is not ascribable to any superior ethics on the part of the industry but rather to the fact that cannerys are anxious to enjoy the regular marketing, and the premiums for quality, which depend on the assurance of buyer and seller alike that the grades are as stated."

CANNERS' OPINION OF GOVERNMENT GRADING

Premiums for Quality

As it works out in Canadian practice, grade declarations on canned products are not primarily a sales appeal to consumers, but rather an expression of a hard headed conviction on the part of canners that they effect savings and make more money under the Government Grading System. The opinion of all those interviewed was unanimous on this point. Typical of the feeling that unfair trade practices are reduced to a minimum through the necessity to conform to uniform grading, is this expression of opinion by Mr. Fred R. Whittall, President of the Associated Quality Canners, Ltd.:

"I cannot imagine conducting a canning business without Government grades to assure fair competition. Perhaps an unscrupulous bird gets away with mis-labeling a carload once in a great while; but he will be caught at it sooner or later, and I think it safe to say that 99 percent of our packs are honestly and correctly labeled by their grades.

"If Government grading means ruin to the industry, why aren't we all ruined in Canada?"

There is a cash premium to be obtained in Canada for packing high quality goods. In normal times the spread between Standard and Choice on such packs as tomatoes amounts to a cent on a No. 2 tin; on asparagus and other more costly packs the spread is greater.

Under depression conditions this premium for quality has decreased. At the present market Canadian Canners get 67-1/2 cents a dozen for Standard tomatoes and 72-1/2 cents for Choice. The 5 cents a dozen spread seems to be present practice throughout the trade. Canners feel that they should be getting more spread, but they also feel that their practice of packing high quality now -- in spite of small present reward -- is establishing a reputation for their goods which will permit a larger spread when and if general market values rise.

Savings through Government Grading

Canners in the United States sell largely on

samples, and the cost of distributing samples in bulk amounts to many thousands of dollars a year.

The General Manager of Canadian Cannery, Ltd., points out that not in one instance in a thousand does his firm find samples necessary to a sale. His company which packs half the canned goods sold in Canada, spends less than \$500 a year on samples. He states that the Canadian Cannery brand names, plus the guarantee of grade inherent in government inspection, reduces sampling to a bare minimum.

Several Canadian canners have pointed out that government grading effects savings through making it possible to reduce inventories. Government inspection, as previously noted, is at no cost to the canners.

Marketing

The furtherance of orderly marketing under a system of government grading is a point on which all persons interviewed in Canada found agreement. It may be summed up in the remark of the Honorable Horace Barton, Deputy Minister of Agriculture, who said:

"We consider government grading a first essential to orderly marketing of canned food. Without it I can hardly see how there could be a platform on which to build rules of fair dealing between canners and the trade, and between the trade and consumers."

This also proves true in Canadian practice during the first marketing step -- the establishment of bank credit. A banker of thirty years experience in a canning region, summarized this banking angle as follows:

"The declaration of Government grades on canned products at each step in the marketing process greatly facilitates loans to the canners. The banker's assurance that the quality of the pack is as stated on the labels is a strong factor of confidence. It results in collateral of uniform types, making it both more saleable and more liquid. We accept the Government grading without question, to some extent, basing the amount

of our loans on the grade found and on the particular packer's record of putting up high-class goods. The canners' financial standing, marketing opportunities, etc., of course influence our judgment on loans; but the value of the physical property itself is definitely known at all times through the Government rating of its quality grade. We frequently loan up to seventy-five percent on the pack in the cannery.

"I have had thirty years experience as a banker, much of it in the cannery districts of Canada. I should feel it a step in the wrong direction to abandon Government grading, and I do not think the Canadian public would countenance it."

"Own Label"

Canadian packers make a practice of putting their featured "own label" on goods at the top of each grade. This does not apply to Fancy products, which invariably carry the "own label" (as the Aylmer Green Label).

All Choice goods, of course, have to meet the government specifications for that grade. Yet the band of tolerance is large enough to admit of two recognized Choice packs, commonly referred to as Top-Choice and Off-Choice. Canadian Canners, Ltd., for instance, place the Aylmer "own label" on Top-Choice and their Dominion Label on Off-Choice. For goods bearing the "own label" the canners invariably get a cash premium. For example, the National Grocers Co., Ltd., receive more for their own Red & White Choice goods than they do for their Gold Medal Off-Choice goods.

The same conditions apply to Standard goods.

Up-Grading

The Canadian regulations do not prevent a packer from labeling Choice goods as Standard. In many instances the canner finds he has a market for Standard and has not enough goods to fill it. So he will lable a lot of Choice goods as Standard. This is also done to invade new markets. It is not a good practice. The canners themselves admit that they will lose out by this in the long run, for it makes the buyer think that he will get just as good a grade of Standard next year, when it may not be to the canners' advantage to pack Choice and call it Standard.

One other aid to marketing offered by government grades is the fact that the canners come to know which particular quality is most favored by consumers in various districts. In the

Province of Quebec, for instance, the sales of Choice and Fancy are very limited. Toronto, on the other hand, is a Choice and Fancy market. Western Canada, at the present time, is a Standard market. A knowledge of these facts assists sales managers in allocating the three grades to particular territories.

Wholesaling under Government Grades

The firm of National Grocers Company, Ltd., is the largest wholesale distributors of canned food products in Canada. Mr. Carr, manager of the Ottawa plant, expressed his amazement that grade declarations have never been required for canned food labels in the United States. He said:

"I would not buy anything which was not graded by the government."

Within each particular grade it appears that the various Canadian brands command differences in price on the retail market. Nevertheless, the fact that there are three quality lines, with a fairly uniform retail price spread between each one, simplifies marketing for the wholesaler, in the opinion of Mr. Carr. He provided the following current figures on the retail price spread between grades in the lines sold by his Company:

		<u>Standard</u>	<u>Choice</u>	<u>Fancy</u>
Peaches	squat 2s	.18	.23	.25
Bartlett pears	"	.18	.21	.23
Pineapple, sliced	"	.10	.19	
Pineapple, crushed	"		.18	.23
Corn, white		3/.25	.10	
Corn, golden bantam		.10	2/.25	.15
Peas #4		.10	2/.25	
Peas #2			.17	.21
Tomatoes		3/.25	.10	.15

To the point of what protection consumers are afforded by grade declarations, Mr. Carr said:

"Canadian consumers are becoming more and more educated to buy by grade, although many of them still do not place importance on the distinction between grades, and may not even be familiar with what Fancy, Choice, and Standard signify. But in such cases where consumers buy by price alone, the fact that the price range corresponds directly to the quality range gives them protection in spite of their ignorance of terms identifying quality. Under Government grading, the consumer gets the objective tests for quality determination."

RETAILING UNDER GOVERNMENT GRADING

A Trade Magazine Opinion

The Canadian Grocer is a trade magazine published at Toronto and particularly devoted to the interests of retail competitors. The reasons leading the magazine to support government grading appear in the following statement by its editor, Mr. B. T. Huston:

"Government grades on canned goods are of great importance to our Canadian retail grocers. A man operating a store in a high-class residential district can buy Fancy or Choice and be sure that his customers will be satisfied. The grocer in a poor district can buy only Standard and so guarantee that his prices will be right. Of course the food values of Standard products are as high, and in very many instances much higher, than the Fancy or Choice lines, so that the low price line Standard merely sacrifices appearance values for which richer people are willing to pay in the Fancy and Choice lines.

"Before Government grades became compulsory in Canada the retail grocer got a job lot of canned goods, much of which was very poor stuff. His pricing had to be hit or miss, on the get-as-much-as-you-can system of selling. Naturally he had a lot of kicks from his customers; but the grocer himself had no way of telling what was in the cans he bought, unless he was a big operator with an expensive buyer to help him.

"Since Canada has adopted uniform grades the situation has improved immensely. Trade is more stable and consumer consumption has held up well despite the depression. And buyers are tending more and more to ask for the higher grades. Increased sales of higher priced goods prove that."

Canners' Opinion on Retail Grading

Mr. John Wall, President of the Fine Foods of Canada (an affiliate of a well-known canning organization in the United States) has commented on the savings to be affected in retailing through dispensing with clerks and allowing consumers to select goods by their quality grades. In the January 26, 1934 issue of the Canadian Grocer, Mr. Wall wrote regarding stores of the Loblaw Groceterias type:

"We hear a great deal about big volume on a small margin but the most successful retail grocery organization in Ontario today is the one which has no clerks in its stores to offer substitutions, but simply places on the shelves of its stores products of all grades -- Fancy, Choice, and Standard -- and leaves the public free to choose for themselves the grade of goods they prefer and can afford to pay for. You would be amazed if you knew the tremendous quantity of fancy grade products which this organization handles every year, even during the present period of depression."

Chain Store Opinion of Grading

The Loblaw Groceterias successfully operate 112 retail stores in Canada. The business of this company has been largely built on featuring high quality canned goods. Emphasis on quality appears in the following sales figures for the first 10 months of 1934:

Peas

Fancy	7,994 cases
Choice	31,521 cases
Standard	15,376 cases

Corn

Fancy	10,398 cases
Choice	14,218 cases

Mr. J. Milton Cork, president and general manager of the Loblaw Groceterias has this to say regarding obligatory government grades:

"The canned fruits which we used to buy (before grade declarations) were half full of soup. I want to know, as a retailer, what I am buying for my stores. We didn't have any chance of telling before. We have now under Government grading regulations. To go back to the old system would be inconceivable."

Independent Store Opinion of Grading

Government grading, through easy consumer identification of high quality goods, has saved the fine groceries, independent stores, from the competition of the

chain stores, in the opinion of Mr. R. E. Powell, proprietor of an independent grocery business in the residential section of Ottawa. Mr. Powell's canned goods shelves contain practically all Fancy quality goods. His fresh vegetables and specialties are all of the highest grade. His store was empty of customers, yet two telephone girls were busy filling orders. The proprietor ascribed his present prosperity to the fact that his customers are perfectly familiar with what Fancy means on labels. Since price is a lesser consideration than high quality with his clientele, his recommendation that "this is the best quality obtainable in that line" is sufficient to make sales. Mr. Powell stated that his business has been more prosperous and easier to conduct since Government grading has drawn clear lines between what is best and second best in the goods that must be handled in the fine groceries trade.

CONSUMERS' PROTECTION UNDER GOVERNMENT GRADING

Although many consumers in Canada seem still unaware of what quality terms signify, advances in consumer knowledge of grades have been made during the past five or six years, principally due to chain store advertising in which the terms Fancy, Choice, and Standard usually accompany the brand names.

Most buyers of Fancy goods know what grades mean, because they are definitely in search of the best quality regardless of price. The more careful and intelligent shoppers of less means are awake to grade declarations as guides both to price and to the uses to which they wish to put the products.

All other consumers, however ignorant, have an ever present interest in price which operates to place their purchasing into quality ranges befitting the amounts paid. This happens because the steps necessary to abide by grading regulations almost automatically result in the final product being offered to the consumer at a price conforming to its particular quality.

It works out this way at the producing, wholesaling, and retailing stages:

The Production Step

1. The packer cannot, without violating the law, label his goods as higher in quality than they are in fact. Within the tolerances allowed for Choice quality he can indeed pack two lots, one superior to the other; and it is conceivable that he might persuade consumers to pay more for the inferior than for the better goods. Yet the difference between these two can never be great since both must grade above the standard quality line.

A like play occurs within the band of tolerance of Standard quality. Yet, there again the products must be better than Second (or sub-Standard) Quality.

In the United States canners have the entire range of quality above sub-standard to play with as they like. They may label accurately, or they may represent low Standard goods as being the very finest. In Canada the law limits this leeway to each grade.

The Wholesale Step

2. The Canadian wholesaler, doing business under his Own Labels, finds it profitable to ask a premium on his "Own Lable" line. Because this practice is known to retail establishment buyers, the latter pay more for top-choice and less for off-choice, thus still further narrowing the chances of inferior products from straying into a price range above their true worth.

The Retail Step

3. On retail store shelves the price spread between grades is definite and known. The storekeeper may mark up his goods according to what the traffic may bear; yet the force of competition prevents him from long continuing to get a much higher price for his Standard or Choice goods than a rival gets for his. As the manager of the Canadian Canners, Coburg plant, points out:

"Canadian consumers are still somewhat ignorant about what the quality terms mean. But the clerk knows his product, and he knows his customers and to keep them he will put them into the right grade of purchases. If he does not, they will soon enough kick."

A comparison between the Canadian grade system and the United States method of labeling canned goods without objective quality identification, was obtained from the district manager of an A & P store in Ottawa, who said:

"I'm certain that Canadians couldn't shop as carefully as they do if there weren't any grade declarations to guide them."

HOW GOVERNMENT GRADING AFFECTS SALES POLICIES

Some members of the canning industry in the United States have expressed fear that the use of Government grades in this country would produce certain ill effects. The following undesirable results are mentioned as probabilities.

1. Prices will freeze to one level in each grade.
2. Quality will deteriorate, since canners will pack to the minimum of each grade.
3. Advertising will decrease.
4. Brand names will lose value.
5. Inspection costs will be excessive.

It is of prime importance that such results should not upset a vital American industry. With a full recognition of this, particular efforts were made to examine the Canadian production and distribution systems under Government grading, to see if the above fears have been justified in Canadian practice.

A more detailed consideration of the above-five points, with pertinent evidence, follows:

1. Prices in each grade will be identical since the government guarantees that this one is Fancy, this Choice, and this Standard.

In support of the above hypothesis, this example has been cited...two cans of Fancy quality, one priced at 16 cents and the other at 14 cents could not compete fairly on the same grocery shelf, since they are ranked alike in

quality and the consumer would very naturally prefer the cheaper one. The presumption is that the 14 cents can would move readily from the shelves; that the grocer would restock the 14 cents brand; while the 16 cents can would remain unsold and the packer would eventually go out of business. The alternative, under this assumption, would be that the packer of the 16 cents can would deteriorate his quality in order to price his product down to the 14 cents level of his successful competitor.

An examination was made of many Canadian retail stores to check whether or not the price range within each grade does in fact tend to fall to one dull competitive level. The fact was shown to be that, although the price of various brands tend to follow each other within grades, there are notable examples of goods of exceptional merit being bought freely by consumers at prices higher than those of the same quality grade on the same store shelf. These examples may be cited:

Fine Foods Corn on Cob sold for 14 cents
while Aylmer Fancy Corn on Cob sold for 12 cents.

Glenwood Choice Raspberries sold for 21 cents
while Kinney's Choice Raspberries sold for
19 cents.

Aylmer Choice Tomatoes sold for 8-1/2 cents a
piece, while East Lake Choice Tomatoes sold
for 8 cents.

On one store shelf three brands of Fancy Spinach
stood side by side.

"Del Monte Fancy spinach, because of the Canadian duty, was priced highest at 17 cents a can; Aylmer being 14-1/2 cents; Nature's Best being 12-1/2 cents. In spite of the spread of 2-1/2 cents over Aylmer, and 4-1/2 cents over Nature's Best, Del Monte is the fastest seller of these three brands."

2. There will be no incentive to pack for high quality, and each canner will try to have a product as near to the bottom of the grade as possible.

All Canadian canners and distributors interviewed were asked whether in fact there was a tendency to pack as close to the line as possible. The invariable answer was that the monetary rewards of packing for as high a quality as possible far out-balanced any considerations

of saving money by packing products just good enough to meet the grade.

The point is so important that several typical answers are given below:

Plant Manager, Canadian Cannery, Ltd.

"When I started in 1912, we didn't know what we were packing. There is all the difference in the world between the quality of the packs then and now. We used to pack peas in 1912 which we wouldn't accept delivery on now. All conditions are better, including the sanitary ones. As to quality, nowadays we get uniformity of pack between the seventy canneries in the Canadian Cannery chain. We wouldn't think of going back to the old scheme, I wouldn't know how to run my plant."

General Manager, Canadian Cannery, Ltd.

"In our packing allotments to the factories we impress on the factory manager the necessity of securing Choice quality or better knowing full well that the way the crops come in, etc., that we will get all the standard goods that we desire to market. Our aim is to pack, if possible, a little better canned foods than our competitors."

"The answer to why we pack for quality, is that we expect to get a premium for doing so."

Mr. Carr, Ottawa Manager, National Grocers, Ltd.

"The canner wants to build up a name for his product. There would be something radically wrong in a situation where a canner tried to pack as close to the line as possible. In the case of vegetables he could not do it without running the risk of spoiling his pack and getting into the lower grade. He could pack to the line more easily in fruits, since the risk of their spoiling in a brief time is not so great, and also he can control the sugar content of syrups."

"In practice, of course, the grading is not done until after the pack is finished."

3. Advertising will dwindle since one canner's Fancy or Choice brand has been pronounced as good as the next man's and there would be no point in telling the public of the superior merits in expensive publications.

The opinions obtained in Canada are unanimous that advertising has not been adversely affected because of quality grading and that advertising stress on brand names has been, and will continue to be, the most effective way of obtaining mass sales. The following are expressions of opinions by the editor of a trade journal, an independent canner and the manager of a chain store.

B. F. Huston, Editor of the Canadian Grocer

"No Canadian publications have been adversely affected in the amount of advertising carried because of Government regulations on grading. Our canners find it profitable to advertise their brand names. Except in chain store advertising through newspapers, grades are not featured in our canning advertisements. The prime object is to get the consumer conscious of the brand name. But when the consumer comes to select goods of that brand, the fact that the quality declaration is on the can is his protection against advertising persuading him into buying something inferior to the claims made for it.

"Canners make use of the quality terms when they advertise to the wholesale and retail trades.

"In my opinion the advertising lineage in publications in the United States would not be affected by making grade declaration obligatory on canned goods."

Mr. William Rankin, Canadian Canner

"A man who has an exceptional Fancy product will advertise the fact and get his higher price for it. The same thing is true of other grades. King and Rankin, my firm, does not do any advertising. Aylmer does; and Aylmer gets five cents a dozen more on every line than we do. The fact that Aylmer's brand advertising is responsible for the premium

they get is shown in some price discrepancies in those same products when they get onto the grocer's shelves. We hand-pack our Choice tomatoes; we get less for them than Aylmer get for their Choice (because Aylmer advertising has built up a consumer demand), but the grocer gets more for our hand-packed Choice than he does for the Aylmer product. Both our Choice tomatoes and Aylmer's bear the Government Grade Choice, yet there is enough tolerance in that grade to allow the canner to advertise for mass sales if he wants, and to allow the buyer to select products which he can push in his store on a quality basis."

Mr. W. Chevalier, Stop and Shop Chain Store

"Buyers have been educated to shop by grade through reading newspaper advertisements. It didn't used to be that the buyer would pay any attention to grade declarations, in the days before the chain stores started using the newspapers. It was all buying by brand then. About six years ago the situation began to change. The chain store advertising featured quality grades alongside the brand name. If you do that long enough it gets into people's heads. They still buy by brand, but they know the difference between Choice and Standard. You couldn't pawn off Standard stuff at the price of Choice."

4. The values of brand names, built up by expensive advertising and by winning consumer confidence in the past, will fall away if consumers learn to buy by quality grade.

A refutation of this assumption as it works out in practice has already appeared in the comments of Mr. B. T. Huston, editor of the Canadian Grocer. It has likewise been noted that Canadian Cannery, Ltd., by far the largest producers in Canada, are likewise the largest advertisers and that through advertising expenditures their branded products command a premium over non-advertised products of competitors. The evidence seems conclusive that brand names have not lost value in Canada under Government grading regulations. Mr. W. R. Drynan, general manager of Canadian Cannery, has expressed himself as follows:

"If all Fancy and Choice were in fact uniform, it would of course freeze the marketing process and decrease the need for advertising. But in practice this is not the case, and advertising by brand name is as sure a way of getting special excellence of product before the public as it ever was. Del Monte would still sell in the United States on its advertising; its only increased obligation would be to make certain that its plant managers were correctly testing samples for grade."

5. Government inspection of grades will cost the canners vast sums, which in the end must be paid for by canners of canned goods..

This has not proved to be the case in Canada. A comparatively small number of inspectors, paid entirely by the Government and performing sanitary inspection as well as grade testing services, managed to do all the checking necessary to compliance with the Canadian Grading Law. The will to obey the law on the part of Canadian Canners, built up under a period of years by reasonable administration, by the "Held Tag" devices which keeps disputes out of litigation and by the canners' conviction that market stability and fair trade practices are served by compulsory grading, properly explains why the Canadian inspection is done at such low cost to the Government and at no cost to the canners. Insofar as application of compulsory grading to the United States Canning Industry is concerned, the deduction is obvious that the cost of inspection depends upon what American Canners wish to make it.

SUMMARY OF SURVEY

A survey of Canadian Government grade labeling of canned fruits and vegetables, made jointly in Canada by the Consumers Advisory Board and the Bureau of Agricultural Economics, finds that the obligatory statement of quality grades on all labels serves both to promote orderly marketing and to protect consumers.

The results of the survey have special interest for American consumers at this time because of the beginnings that are being made here at putting more informative labels on canned fruit and vegetables. In the trade there is discussion as to what form these labels should finally take. Government advisors have urged the adoption of definite quality grades, such as those developed for commercial usage by the Bureau of Agricultural Economics.

The latter plan embodies the main principles of Government grading as practiced for many years in Canada. This survey had as its aim an examination of the practical workings of the Canadian system for their possible bearing on the labeling problems facing the canning industry in the United States. Interviews were had with Canadian canners, wholesalers, retailers, plant managers, Government officials and publishers. Their statements, included in the survey report, strongly indicate the practicability and usefulness of the Canadian grading system. In summary the report states:

"Canner and trade opinion is behind the grading regulations in Canada, making the task of enforcement a routine matter for the authorities. Cooperative relations between the industry and the Government agencies has developed over the long period of years during which the Meat and Canned Foods Act has been on the Canadian statutes. Avoidance of legal action in labeling disputes has been obtained by the expedient of placing the goods under temporary detention, pending a re-check on their actual grade ratings. There is a tendency to consider mis-labeling an involuntary act, and every opportunity is given the canner to correct the statement of grade on his labels. All canners interviewed are of the opinion that Government is useful to their industry. No one of them would willingly abandon the system.

"Canadian consumers are gradually coming to use grade labels as guides in their buying. In Canada, as elsewhere, the professional sellers have more control over the manner of conducting business than have the amateur consumer buyers. Yet the compulsion to sell by grades keeps the prices of a retailer in line with those of competitors in the same district. This is particularly helpful as protection in poor districts where stores stock only Standard quality goods and cannot successfully ask Fancy prices for them. In general, the Canadian consumer may buy solely by price and still be assured that her purchase falls within the grade uniformly marketed within that price range all over Canada.

"It is the conviction of the investigators that the canning industry itself is one of the chief beneficiaries of the law.

"The amicable settling of disputes, among members of the industry and between industry and Government, is not the least of the by-products enjoyed from the uniform and stable operation of the regulations. The compulsion to make violators live up to sanitary rules is likewise for the good of the entire industry. The discovery by Government inspectors of improperly graded products; the Government checks on plant managers' grading; and the supervision of standard size containers are other similar by-products.

"The Canadian device for obtaining prompt action in grading disputes appears in the use of the "Held" tag. Government inspectors may at any time place this tag on a lot of canned products and thus detain it until the canner's grading of it is checked at Ottawa. If the canner's grading is proved right, the inspector released the lot for immediate shipment, with the loss of no cash and only a few days time. If the inspector's grade is correct, the canner is put to the trouble of relabeling the lot.

"This simple action serves as a buffer between the canner and the courts. The "Held" tag is respected in Canada. It is important to note that the law provides penalty against the man who removes a "Held" tag, and not against the canner. Action in disputes is thus had with a minimum of waste. No Canadian grade question has gotten into the courts, except in one instance where the use of the "Held" tag was upheld.

"The administration of the grading law has been since its inception in the hands of Mr. C. S. McGillivray, Chief Canning Inspector. The lively opposition with which the canners first met the law raised considerable heat during the experimental years, when compliance with the Act was urged upon the industry rather than imposed. Rigid enforcement has been the rule now for about eight years. While argument about certain features of the Act was heard in Canada from several industry members, the conception of scrapping the essential points of grade labeling was in the mind of no one interviewed.

"At no talks had with canners, wholesalers, retailers or publishers did any Canadian official listen in. From observations of the contacts between inspectors and canners, however, the relationship appeared on a cooperative and friendly plane. In considering the possible value of Canadian experience to canners in the United States, emphasis should be placed on the restrained use of pressure upon violators, whether they be voluntary or involuntary. The "Held" tag device, reasonably applied, seems to the investigators an essential contribution to the charted and orderly course of the canning industry in Canada.

"Certain fears, entertained by some members of the United States canning industry, have not materialized under Canadian grading practice.

"The prices of like products in the same grade are not frozen to one level. The spread is often small, yet evidence appears that a product, either through advertising or superior merit or both, can command a premium over rival brands of the same grade.

"Samples of various canned fruits and vegetables were purchased from retailers' shelves in Canada and graded on the basis of United States grades. The grade of the products examined were in large measure comparable to the packs of similar quality in the United States. While a few differences were noted, on the whole, it appears that the Canadian packs are quite consistently in line with the grades claimed for them.

"The comparison between the grades packed in the two countries is, however, not the essential point, since the United States industry could establish grades on any level it might wish. The matter of prime importance is whether, under Government grading, the Canadian grades are

clearly defined for practical marketing purposes; and this fact was held by the investigators as clearly shown.

"The variations in price and quality within each grade demonstrate that Canadian canners do not try to produce foods just good enough to make the grade, but rather that they pack as well as they know how in order to obtain the higher prices to be had for goods of known attractiveness.

"The space taken by canning advertisers in Canadian publications is no less under grade regulation than before. Advertising by brand name is the rule; and such brand advertising assures the canner a cash premium for his goods over those rivals who do not thus pay to stimulate consumer interest.

"The cost of inspection and Government grading is borne by the Government itself. Through regular visits to canneries and through surprise visits to warehouses and stores, a comparatively small inspection staff manages to obtain compliance at a cost so low that the sanitary inspection results alone would justify it."